

LEPELLE-NKUMPI LOCAL MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
2008/2009**

Annual Financial Statements

for

LEPELLE-NKUMPI LOCAL MUNICIPALITY

for the year ended 30 June 2009

Province:

Limpopo

AFS rounding:

R (i.e. only cents)

Contact Information:

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LEPELLE-NKUMPI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
30 JUNE 2009

General information

Members of the Council

Masoga MC	Mayor
Sibanda N	Speaker
Mohlatlole MF	Chiefwhip

Maposo KD	Members of Executive Committee
Leopeng ME	
Mapheto NJ	
Kekana R	
Mphahlele MR	
Ledwaba LE	
Phosa NB	
Phasha MN	
Sehlapelo MJ	

Kekana TD	Members
Kekana TG	
Mashatole SR	
Motloutsi SG	
Phaahla VM	
Mphahlele MT	
Matlala RP	
Mphahlele RP	
Mashita DJK	
Mathabatha MD	
Mphofelo SM	
Nkhuna MJ	
Doubada NN	
Mashiloane MA	
Mphahlele HMM	
Mphahlele MF	
Ntsoane MR	
Makgahlele MB	
Kekana MJ	
Masola VM	
Mothapo HR	
Mankge JT	
Phogole MJ	
Kekana ND	
Kekana MA	
Moreroa NE	
Mmako RF	

Mogale QR
Phalane M
Ramokolo MM
Modikoa MD
Mphahlele RB
Koma ME
Sebake PT
Noko MJ
Mphahlele LE
Zwane GC

Municipal Manager

Mphahlele SE

Chief Financial Officer

Choshane V

Grading of Local Authority

3

Auditors

Auditor-General

Bankers

FIRST NATIONAL BANK

LEPELLE-NKUMPI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
30 JUNE 2009

General information (continued)

Registered Office: Lebowakgomo

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Civic Centre
Lebowakgomo
0737

Postal address:
Private Bag
Chuenespoort
0745

Telephone number: 015 633 4500

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E-mail address: veronica.choshane@lepelle-nkumpi.gov.za

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 32, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 17 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

S E MPHAHLELE
MUNICIPAL MANAGER

DATE

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LEPELLE-NKUMPI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2009

		2009	2008
	Note	R	R
ASSETS			
Current assets			
Cash and cash equivalents	2	43 197 623	18 441 475
Consumer debtors	3	57 752 589	8 885 715
Other receivables	4	6 619 517	4 063 218
Inventories	5	1 013 475	-
Loans and receivables	7	-	293 352
Non-current assets			
Property, plant & equipment	6	77 178 215	59 015 985
Total assets		<u>185 761 419</u>	<u>90 699 745</u>
LIABILITIES			
Current liabilities			
Trade and other payables	8	22 125 352	11 635 434
Consumer deposits	9	1 899 910	350 510
Unspent conditional grants and receipts	10	21 169 076	5 146 033
Total liabilities		<u>45 194 338</u>	<u>17 131 977</u>
		<u>140 567 080</u>	<u>73 567 767</u>
Net Assets			
Accumulated surplus/(deficit)		140 567 080	73 567 767
		<u>140 567 080</u>	<u>73 567 767</u>

LEPELLE-NKUMPI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
REVENUE			
Property rates	11	10 381 081	
Service charges	12	33 008 308	20 398 622
Rental of facilities and equipment		92 284	104 321
Investment revenue – external investments	14	3 379 021	1 921 461
Interest earned – outstanding debtors		1 659 450	
Fines		54 013	4 295 124
Income from agency services		4 776 489	
Government grants and subsidies received - operating	13	61 868 008	47 781 805
Government grants and subsidies received - capital	13	12 687 983	15 285 837
Other income	15	1 731 527	4 151 781
Total Revenue		129 638 164	93 938 951
EXPENDITURE			
Employee related costs	16	18 759 169	15 771 413
Remuneration of councillors	17	10 088 660	7 587 969
Bad debts			14 957 947
Contracted services		1 042 857	1 120 128
Depreciation		4 151 860	3 129 000
Repairs and maintenance		1 948 830	2 523 283
General expenses	18	35 054 101	24 375 987
Total Expenditure		71 045 478	69 465 726
NET SURPLUS/(DEFICIT) FOR THE YEAR		58 592 686	24 473 225

LEPELLE-NKUMPI LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009

	Accumulated Surplus/ (Deficit)	Total
		R
Balance at 1 July 2007	48 943 975	48 943 975
Net surplus for the year	24 473 224	24 473 224
Adjustments	150 568	150 568
Property, plant and equipment purchased	-	-
Assets for capital replacement reserve	-	-
Capital grants used to purchase PPE	-	-
Donated/contributed PPE	-	-
Offsetting of depreciation	-	-
Balance at 30 June 2008	73 567 767	73 567 767
Correction of prior period error		
Restated balance	73 567 767	73 567 767
Net surplus for the year	58 592 686	58 592 686
Previous years adjustments	8 406 627	8 406 627
Property, plant and equipment purchased	-	-
Capital grants used to purchase PPE	-	-
Donated/contributed PPE	-	-
Offsetting of depreciation	-	-
Balance at 30 June 2009	140 567 080	140 567 080

LEPELLE-NKUMPI LOCAL MUNICIPALITY
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and others		100 815 040	85 911 361
Cash paid to suppliers and employees		(57 417 175)	(67 455 986)
Cash generated from / (utilized in) operations	19	43 397 865	18 455 373
Interest received		3 379 021	1 921 461
Net cash from operating activities		46 776 886	20 376 834
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(22 314 090)	(22 642 935)
(Increase)/decrease in loans and receivables		293 352	62 396
Net cash used in investing activities		(22 020 738)	(22 580 539)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash used in financing activities		-	(2 203 705)
Increase/(decrease) in cash and cash equivalents		24 756 148	16 097 397
Cash and cash equivalents at beginning of the year		18 441 475	2 344 078
Cash and cash equivalents at end of the year		43 197 623	18 441 475

LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). prescribed by the Minister of Finance in terms of General Notices 991 of 2005 and General Notice 516 of 2008.

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 1290 Of 2008 exempted compliance with certain of the above-mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual statements.

These accounting policies are consistent with those of the previous financial year.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand and are rounded to the nearest Rand.

1.3 SIGNIFICANT ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

These annual financial statements have been prepared on a going concern basis.

In preparing the annual financial statements to conform with the standards of GRAP, management is required to make estimates, judgements and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future may differ from these estimates.

All significant estimates, judgements and underlying assumptions are reviewed on constant basis. All necessary revisions of significant estimates are recognised in the period during such revisions as well as in any future affected periods.

LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.4 PROPERTY, PLANT & EQUIPMENT

1.4.1 Initial recognition

An item of property, plant and equipment which qualifies for recognition as an asset shall initially be measured at cost.

The cost of an item of property, plant and equipment comprises of its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use.

Where an item of property, plant and equipment was donated, is initially recognised at its fair value as at the date of acquisition.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Incomplete construction work is stated at historical cost. Depreciation only commences when the assets is commissioned into use.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Municipality's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

1.4.2 Subsequent measurement - revaluation model (land and buildings)

Subsequently land and buildings are stated at revalued amounts, being the fair value of the land and buildings at the date of revaluation less subsequent accumulated depreciation and impairment losses in respect of buildings only. All other items of property, plant and equipment, are stated at cost, less accumulated depreciation and accumulated impairment losses.

Revaluations are performed with sufficient regularity, but at least every three to five years, to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

A decrease in the carrying amount of land and buildings as a result of a revaluation is recognised as an expense unless there is a revaluation surplus in the reserve account. Any amount in excess of the revaluation surplus is recognised as an expense.

1.4.3 Subsequent measurement - cost model

Subsequently property, plant and equipment, are stated at cost, less accumulated depreciation and accumulated impairment losses.

Land is not depreciated as it is regarded as having an infinite life.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The residual value of an asset is determined as the estimate amount that could currently be obtained from the disposal of the asset. The residual values of assets are reviewed at each financial year end.

LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.4 PROPERTY, PLANT & EQUIPMENT (cont)

1.4.4 Depreciation and impairment

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful lives of the asset. The depreciable amount is determined after deducting the residual value of the asset from its cost. The depreciation charge is recognised as an expense unless it is included in the carrying amount of another asset under construction. Assets will be depreciated according to their annual depreciation rates based on the following estimated asset lives:

<i>Infrastructure Assets</i>	<u>Years</u>
Roads, pavements, bridges and storm water	15-30
Water reservoirs and reticulation	20-30
Electricity reticulation	20
Sewerage purification and reticulation	20
Street lighting	15
 <i>Community Assets</i>	 <u>Years</u>
Parks and gardens	30
Sport fields	20
Community halls	30
Libraries	30
Recreation facilities	20
Cemeteries	30
 <i>Other Assets</i>	 <u>Years</u>
Motor vehicles	5
Plant and equipment	5
Furniture & Fittings	10
IT equipment	3
Office equipment	3-7
Specialised vehicles	7

Heritage assets

Heritage assets are assets that are defined as culturally significant resources and are not depreciated as they are regarded as having an infinite life which are shown at cost. However, if improvements to heritage assets are conducted and registered as sub-assets and the useful life of the improvements can be determined, the depreciation charge of the relevant property, plant and equipment category is used for the depreciation of the sub-asset which was capitalised against the heritage asset.

On complying with Directive 4 the Municipality is entitled to take advantage of the GAMAP transitional provisions on Property, Plant and equipment until they expire, which is the financial year 2009/2010 for Low capacity Municipalities. As a result both measurement and disclosure requirements of GRAP 17 need not be complied with.

LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.5 INTANGIBLE ASSETS

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Where an intangible asset has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition.

Goodwill (negative goodwill) arises on the acquisition of associates and joint ventures.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands is recognised in the statement of financial performance as incurred.

1.5.1 Licences

Licences are shown at historical cost. Licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

1.5.2 Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Municipality and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Amortisation

Amortisation is recognised in the statement of financial performance on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

	Years
Licences	3
Computer software	3

Each item of intangible asset is amortised separately.

Intangible assets that have an indefinite useful life are tested for impairment annually.

The estimated useful life, the amortisation method and the residual values are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.6 IMPAIRMENT OF FINANCIAL ASSETS

Impairments of Non-financial assets

Non-Financial assets, excluding investment property, biological assets and inventories, are assessed at each reporting date to determine whether there is an indication that the carrying amount of the asset may be impaired. If such an indication exists, the recoverable amount of the asset is determined. Irrespective of whether an indication of impairment exists, the recoverable amount of goodwill, indefinite-life intangible assets and intangible assets not available for use are determined annually.

A servitude will only become impaired if the line to which the servitude is linked is derecognised. In practice a derecognised line will be refurbished or replaced by a new line. The likelihood of the impairment of a servitude right is remote.

The recoverable amount of an asset is the higher of its fair value less costs to sale and its value in use. In determining the value in use, the estimated future cash flows of the asset is discounted to their present value based on pre-tax discount rates that reflects current market assessments of the time value of money and the risks that are specific to the asset. If the value in use of an asset for which there is an indication of impairment cannot be determined, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An asset's cash generating unit is the smallest group of identifiable assets that includes the asset and that generates cash inflows from continuing use that are largely independent from cash inflows from other assets.

An impairment loss is recognised in the statement of financial performance when the carrying amount of an individual asset or of a cash-generating unit exceeds its recoverable amount. If the loss relates to the reversal of a previous revaluation surplus, it is recognised in equity. Impairment losses recognised on cash-generating units are allocated on a pro rata basis, to the assets in the cash-generating unit.

Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount of the asset or cash-generating unit. Reversals of impairment losses on cash-generating units are allocated on a pro rata basis to the assets in the unit. Impairment losses are reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been recognised in the past. Reversals of impairment losses are recognised directly in the statement of financial performance.

Impairment of Monetary assets

A provision for impairment is created when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables. The carrying value is reduced through the use of a provision and is recognised as a charge to the statement of financial performance. When a receivable is uncollectible, it is written off against the provision. Any subsequent recoveries of amounts previously written off are credited directly in the statement of financial performance.

LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.6 IMPAIRMENT OF FINANCIAL ASSETS (cont)

An available for sale financial asset is impaired when there is a significant or prolonged decline in the fair value of the asset below its cost price or amortised cost. At such a point, an cumulative gains or losses that have been accumulated in equity are removed from equity as a reclassification adjustment and are recognised in the statement of financial performance. Any subsequent impairment losses are recognised directly in the statement of financial performance.

Where Held-to-maturity investments have been impaired, the carrying value is adjusted by the impairment loss and this is recognised as an expense in the period that the impairment is identified.

1.7 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets or disposal groups are classified as non-current assets held for sale when the carrying amount of the asset or disposal group is to be recovered principally through a sale transaction rather than through continuing use.

Immediately before the classification of the asset or disposal group as held for sale, the carrying amount of the assets, or the assets and liabilities in the disposal group, are measured in accordance with applicable GRAP standards. Subsequently the asset or disposal group is measured at the lower of its carrying amount and fair value less cost to sell, with any adjustment recorded in the statement of financial performance.

1.8 LEASES

Leases that transfer substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are recognised as an expense on a straight-line basis over the lease period.

The Municipality as Lessee

Assets leased in terms of finance lease agreements are capitalised at amounts equal at the inception of the lease to the fair value of the leased property, or lower, at the present value of the minimum lease payments. Capitalised leased assets are depreciated in accordance with the accounting policy applicable to property, plant and equipment, refer to property, plant and equipment policy 1.5. The corresponding rental obligations, net of finance charges, are included in long-term borrowings. Lease finance charges are amortised to the statement of financial performance (unless they are directly attributable to qualifying assets) over the duration of the leases so as to achieve a constant rate of interest on their remaining balance of the liability.

Obligations incurred under operating leases are charged to the statement of financial performance in equal instalments over the period of the lease, except when an alternative method is more representative of the time pattern from which benefits are derived.

LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.8 LEASES (cont)

The Municipality as Lessor

Amounts due from lessee under finance leases are recognised in the statement of financial position and presented as a receivable at an amount equal to the net investment in the lease. The difference between the gross receivable and the cost of the asset is recognised as unearned finance income. Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

Rental income derived from operating leases is recognised on a straight-line basis over the term of the lease in the statement of financial performance. Initial direct costs incurred in negotiating and arranging the operating lease are included in the carrying amount of the leased asset and recognised in the statement of financial performance on a straight-line basis over the lease term.

Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

1.9 FINANCIAL INSTRUMENTS

Financial instruments are initially measured at fair value, plus, in the case of financial instruments not at fair value through profit or loss, transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with IAS 39, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

Financial instruments include cash and bank balance, investments, trade receivables and borrowings. The municipality classifies its financial assets as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

1.9.1 FINANCIAL ASSETS

Financial assets are recognised in the municipality's statement of financial position when the municipality becomes a party to the contractual provisions of an instrument. Regular way purchases and sales of financial assets are recorded on the trade date.

The municipality classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables, held-to-maturity as well as available for sale. All financial assets that are within the scope of IAS 39 are classified into one of the four categories.

1.9.1.1 Financial assets at fair value through profit and loss

An instrument is at fair value through profit or loss if it is held for trading or designated as such. Purchase or sale decisions with regard to these investments are managed in accordance with the municipality's documented risk or investment strategy. Financial assets at Fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the statement of financial performance. The net gain or loss recognised in the statement of financial performance incorporates any dividend or interest earned on the financial asset.

LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.9 FINANCIAL INSTRUMENTS (cont)

1.9.1.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities in excess of 12 months. These are classified as non-current assets. They include short-term receivables, such as property rates, trade and other receivables, and long-term receivables, such as loans granted. This category may also include financial assets that would have been impaired or past due if the terms of the instrument were not renegotiated.

Loans and receivables are recognised initially at fair value, plus transaction costs. Subsequently items in this category are measured at amortised cost using the effective interest rate, and interest income is included in the statement of financial performance for the period. Net gains or losses represent; reversals of impairment losses, impairment losses, as well as gains or losses on derecognition. These net gains and losses are included in the statement of financial performance.

1.9.1.3 Held-to-maturity investments

Debt securities that the Municipality has the expressed intention and ability to hold to a fixed maturity date are recognised on a trade date basis and are initially measured at fair value plus transaction cost.

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective interest method.

Investments which include listed government bonds, unlisted municipal bonds, fixed deposits and short term deposits invested in registered banks are stated at cost.

Surplus funds are invested in terms of Council's Investment Policy.

The investment period should be such that it will not be necessary to borrow funds against the investments at a penalty interest rate to meet commitments.

1.9.1.4 Available for sale assets

Non-derivative assets that do not fall into any of the other categories are classified as available for sale. These financial instruments are stated at fair value plus transaction costs. Fair value is determined with reference to quoted market prices. Gains and losses arising from changes in fair value, with the exception of impairment losses, are recognised directly in equity in the Mark-to-Market reserve.

Dividends on available for sale equity instruments are recognised in the surplus or deficit when the Municipality's right to receive payment is established.

LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.9 FINANCIAL INSTRUMENTS (cont)

Financial liabilities are recognised in the municipality's statement of financial position when the municipality becomes party to the contractual provisions of the instrument.

The municipality classifies its financial liabilities in the following categories: at fair value through profit or loss and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued/obtained.

1.9.2.1 Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at Fair Value Through Profit or Loss where the financial liability is either held for trading or it is designated as at Fair Value Through Profit or Loss.

Financial liabilities at Fair Value Through Profit or Loss are stated at fair value, with any resultant gain or loss recognised in the statement of financial performance. Interest expense is calculated using the effective interest rate method and included as part of finance costs in the Statement of Financial Performance.

1.9.2.2 Other financial liabilities

Other financial liabilities, including interest bearing borrowings, are initially measured at fair value, net of transaction costs.

Subsequently, other financial liabilities are measured at amortised cost using the effective rate method, with interest costs being recognised on an effective yield basis.

1.10 INVENTORIES

Inventories are initially measured at cost which cost of inventories comprises of all costs of purchase, costs of development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Consumable stores, raw materials, work in progress, unused water, and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities.

Redundant and slow-moving stock are identified and written down with regard to their estimated economic or realisable values and sold by public auction. Consumables are written down with regard to age, condition and utility.

Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

1.11 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash at bank. Short term investments are excluded. Bank overdrafts are recorded on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.12 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation, as a result of past events, that is probable to cause an outflow of resources embodying economic benefits required to settle the obligation and a reliable estimate of the provision can be made.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate used in calculating the present value is the interest rate implicit in the transaction. Where this is impractical to determine the average interest rate cost of borrowing rate of the Municipality is used.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is reversed.

1.13 EMPLOYEE BENEFITS

1.13.1 Short-term employee benefits

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences and profit sharing and bonus plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

1.13.2 Termination Benefits

Termination benefits are recognised when actions have been taken that indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

1.13.3 Retirement benefits

The municipality provides retirement benefits for its employees and councillors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entitling them to the contributions.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.14 REVENUE RECOGNITION

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

1.14.1 Revenue from exchange transactions

Rendering of services

Flat rate service charges relating to electricity and water which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced.

In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Service charges from sewerage and sanitation are based on the size of the property, number of dwelling on each property and connection, using the tariffs approved by Council and are levied monthly.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale.

Sale of goods

Revenue from the sale of erven is recognised when all conditions associated with the deed of sale have been met.

Interest

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset;

Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Collection charges are recognised when such amounts are incurred.

LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.14.2 Revenue from non-exchange transactions

Fines

Revenue from fines is recognised when payment is received.

Grants and donations received

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

1.14.3 Rates (including collection charges and penalty interest)

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income .

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

1.14.4 Other

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from the recovery of unauthorised irregular, fruitless and wasteful expenditure is based on legislated procedures.

1.15 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003).

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.16 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 COMPARATIVE INFORMATION

Budgeted amounts have been included in the annual financial statements for the current financial year only. When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R	
2. CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand	694	1 591	
Cash at bank	2 593 953	2 765 850	
Call deposits	40 602 976	15 674 034	
	<u>43 197 623</u>	<u>18 441 475</u>	
The municipality has the following bank account:			
Current account (Paymaster)			
First National Bank: Lebowakgomo			
Account number: 62063345790			
Bank statement balance at beginning of year	<u>3 078 022</u>	<u>(2 382 470)</u>	
Bank statement balance at end of year	<u>2 783 090</u>	<u>3 078 022</u>	
Cash book balance at beginning of year	<u>(242 829)</u>	<u>839 072</u>	
Cash book balance at end of year	<u>989 986</u>	<u>(242 829)</u>	
Current Account (Revenue)			
First National Bank: Lebowakgomo			
Account number: 62063342720			
Bank statement balance at beginning of year	<u>2 953 005</u>	<u>653 564</u>	
Bank statement balance at end of year	<u>2 982 921</u>	<u>2 953 005</u>	
Cash book balance at beginning of year	<u>2 971 200</u>	<u>653 646</u>	
Cash book balance at end of year	<u>1 589 860</u>	<u>2 971 200</u>	
Current Account (Salaries)			
First National Bank: Lebowakgomo			
Account number: 62063345980			
Bank statement balance at beginning of year	<u>37 479</u>	<u>851 685</u>	
Bank statement balance at end of year	<u>14 106</u>	<u>37 479</u>	
Cash book balance at beginning of year	<u>37 479</u>	<u>851 685</u>	
Cash book balance at end of year	<u>14 106</u>	<u>37 479</u>	
3. CONSUMER DEBTORS			
	Gross Balances	Provision for Doubtful Debts	Net Balance
30 June 2009			
Service debtors			
Rates	8 586 508	(3 364 164)	5 222 344
Water	58 988 082	(23 111 326)	35 876 756
Sewerage	6 714 809	(2 630 839)	4 083 970
Refuse	9 858 410	(3 862 491)	5 995 919
VAT			
Other	10 808 224	(4 234 625)	6 573 599
Total	<u>94 956 033</u>	<u>(37 203 444)</u>	<u>57 752 589</u>
30 June 2008			
Service debtors	46 089 159	(37 203 444)	8 885 715
Rates			
Water			
Sewerage			
Refuse			
Other			
Total	<u>46 089 159</u>	<u>(37 203 444)</u>	<u>8 885 715</u>

LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
3. CONSUMER DEBTORS (CONT)		
<u>Ageing of consumer debtors</u>		
Current (0 – 30 days)	9 351 399	1 424 130
31 - 60 Days	3 401 819	1 868 891
61 - 90 Days	3 867 925	1 908 216
91 - 120 Days	74 655 295	40 212 653
Total	91 276 438	45 413 890
<u>Sewerage</u>		
Current (0 – 30 days)	441 533	221 912
31 - 60 Days	215 275	186 197
61 - 90 Days	212 001	183 168
91 - 120 Days	5 846 000	3 361 927
Total	6 714 809	3 953 204
<u>Water</u>		
Current (0 – 30 days)	6 171 213	1 115 407
31 - 60 Days	1 772 428	1 243 405
61 - 90 Days	2 302 519	1 302 941
91 - 120 Days	48 741 923	25 260 768
Total	58 988 083	28 922 521
<u>Refuse</u>		
Current (0 – 30 days)	687 733	301 049
31 - 60 Days	296 356	230 751
61 - 90 Days	292 718	228 971
91 - 120 Days	8 581 602	5 511 265
Total	9 858 409	6 272 036
<u>Other</u>		
Current (0 – 30 days)	2 050 920	(214 239)
31 - 60 Days	1 117 760	208 538
61 - 90 Days	1 060 687	193 136
91 - 120 Days	11 485 770	6 078 695
Total	15 715 137	6 266 130
4. OTHER RECEIVABLES		
SARS - VAT input	2 614 676	529 982
Other	4 004 841	3 533 235
Total Other Receivables	6 619 517	4 063 218
5. INVENTORIES		
Consumable stores - at cost	1 013 475	

LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 30 JUNE 2009

6. PROPERTY, PLANT & EQUIPMENT

	Infrastructure	Community Assets	Other Assets	Total
	R	R	R	R
Carrying values at 1 July 2008	30 756 864	5 441 310	22 817 811	59 015 985
Cost	31 805 428	7 698 863	25 513 450	65 017 741
Accumulated depreciation – cost	(1 048 564)	(2 257 553)	(2 695 639)	(6 001 756)
Acquisitions	3 750 943	272 970	3 064 976	7 088 889
Capital under construction	14 602 443	622 758	-	15 225 201
Depreciation – based on cost	(1 076 656)	(547 088)	(2 528 116)	(4 151 860)
Carrying value of disposals				-
Cost				
Accumulated depreciation				
Carrying values at 30 June 2009	48 033 594	5 789 950	23 354 671	77 178 215
Cost	50 158 814	8 594 591	28 578 426	87 331 831
Accumulated depreciation – cost	(2 125 220)	(2 804 641)	(5 223 755)	(10 153 616)

Carrying values at 1 July 2007	15 841 106	843 132	22 817 811	39 502 049
Cost	16 018 224	843 132	25 513 450	42 374 806
Accumulated depreciation – cost	(177 118)	-	(2 695 639)	(2 872 757)
Acquisitions	11 346 069	6 639 120	-	17 985 189
Capital under construction	4 441 135	216 611	-	4 657 746
Depreciation – based on cost	(871 446)	(2 257 553)	-	(3 128 999)
Carrying value of disposals				-
Cost				
Accumulated depreciation				
Carrying values at 30 June 2008	30 756 864	5 441 310	22 817 811	59 015 985
Cost	31 805 428	7 698 863	25 513 450	65 017 741
Accumulated depreciation – cost	(1 048 564)	(2 257 553)	(2 695 639)	(6 001 756)

The Municipality has taken advantage of Property, Plant and Equipment transitional provisions of paragraphs .75 and .78 of Directive 4 of February 2008

The Municipality is in the process of itemising immovable assets and at present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of asset, using global historical costs recorded in the accounting records.

LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
7. LOANS AND RECEIVABLES		
Motor car loans	-	293 352
	<u>-</u>	<u>293 352</u>
Less: current portion transferred to current receivables		293 352
Motor car loans	<u>-</u>	<u>293 352</u>
	<u>-</u>	<u>-</u>
Motor car loans		
Senior staff were previously entitled to car loans which attract different interest rates and is repayable over a maximum period of 5 years. These loans are fully repaid.		
8. TRADE AND OTHER PAYABLES		
Trade creditors	4 142 245	3 090 823
Other creditors	119 328	
VAT	7 722 225	4 110 632
Capricorn District	7 097 322	1 582 677
Staff leave	1 832 158	1 548 681
Retention money	2 051 749	731 859
Debtors received in advance	(839 675)	570 761
Total Trade and Other Payables	<u>22 125 352</u>	<u>11 635 434</u>
9. CONSUMER DEPOSITS		
Water and electricity	<u>1 899 910</u>	<u>350 510</u>
No interest is paid on consumer deposits.		
10. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Conditional Grants from other spheres of Government		
Finance Management Grant	367 683	180 008
Municipal Infrastructure Grant	3 747 236	1 256 036
Municipal Systems Improvement Grant	26 043	346 846
Capricorn District	16 119 664	1 321 388
PHP Housing grant	464 579	464 579
LED learnership	327 926	1 296 444
Local Government	105 952	105 952
EU grant	259	174 781
Other grants	9 733	
Total Conditional Grants and Receipts	<u>21 169 076</u>	<u>5 146 033</u>
See note 13 for the reconciliation of grants from other spheres of government.		
These amounts are invested in a ring-fenced investment until utilised.		

LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
11. PROPERTY RATES		
Property rates	<u>10 381 081</u>	<u>-</u>
The municipality implemented the Municipal Property Rates Act as from 1 July 2008. Various rates are applicable to all rateable categories of properties.		
12. SERVICE CHARGES		
Sale of water	27 047 629	15 016 310
Refuse removal	3 533 202	3 083 733
Sewerage and sanitation charges	2 427 477	2 298 579
	<u>33 008 308</u>	<u>20 398 622</u>
13. GOVERNMENT SUBSIDIES & GRANTS		
<i>Operating Grants</i>	61 868 008	47 781 806
Equitable share	56 489 680	44 069 513
Finance Management Grant	903 771	638 392
Municipal Systems Improvement Grant	1 055 803	684 306
Capricorn District	2 503 967	1 392 230
Other	914 788	997 365
<i>Capital Grants</i>	12 687 983	15 285 837
Municipal Infrastructural Grant	11 324 799	15 285 837
Finance Management Grant	158 554	
Capricorn District	1 204 630	
Total Government Grants & Subsidies	<u>74 555 992</u>	<u>63 067 643</u>
13.1 <i>Equitable Share</i>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and for the running of operations within municipality .		
13.2 <i>Finance Management Grant</i>		
Balance unspent at beginning of year	180 008	318 399
Current year receipts	1 250 000	500 000
Conditions met – transferred to revenue	(1 062 325)	(638 391)
Unspent amount transferred to liabilities	<u>367 683</u>	<u>180 008</u>
(See note 10)		
This grant was utilised for the appointment of interns, training and purchase of equipment. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.		
13.3 <i>Municipal Systems Improvement Grant</i>		
Balance unspent at beginning of year	346 846	297 152
Current year receipts	735 000	734 000
Conditions met – transferred to revenue	(1 055 803)	(684 306)
Unspent amount transferred to liabilities	<u>26 043</u>	<u>346 846</u>
(See note 10)		
The grant was used to implement institutional projects. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.		

LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
13. GOVERNMENT SUBSIDIES & GRANTS (cont)		
13.4 <i>Municipal Infrastructure Grant (MIG)</i>		
Balance unspent at beginning of year	1 256 036	6 190 857
Current year receipts	13 816 000	10 351 016
Conditions met – transferred to revenue	(11 324 799)	(15 285 837)
Unspent amount transferred to liabilities	3 747 237	1 256 036
(See note 10)		
This grant was used to construct roads and stormwater. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.		
13.5 <i>Capricorn District Grants</i>		
Balance unspent at beginning of year	471 388	
Current year receipts	18 388 354	863 618
Conditions met – transferred to revenue	(2 740 078)	(392 230)
Unspent amount transferred to liabilities	16 119 664	471 388
(See note 10)		
The grant was utilised for LED projects.		
13.6 <i>PHP Grant</i>		
Balance unspent at beginning of year	464 579	464 579
Current year receipts	-	-
Conditions met – transferred to revenue	-	-
Unspent amount transferred to liabilities	464 579	464 579
(See note 10)		
The grant was not spent.		
13.7 <i>LED Learnership</i>		
Balance unspent at beginning of year	1 296 444	1 296 444
Current year receipts	-	-
Conditions met – transferred to revenue	(968 518)	-
Unspent amount transferred to liabilities	327 926	1 296 444
(See note 10)		
The grant was used to implement LED learnerships. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.		
13.8 <i>Local Government Grant</i>		
Balance unspent at beginning of year	105 952	-
Current year receipts	-	1 000 000
Conditions met – transferred to revenue	-	(894 048)
Unspent amount transferred to liabilities	105 952	105 952
(See note 10)		
The grant was not spent.		
13.9 <i>EU Grant</i>		
Balance unspent at beginning of year	-	
Current year receipts	174 781	
Conditions met – transferred to revenue	(174 522)	
Unspent amount transferred to liabilities	259	
(See note 10)		
The grant was used for the implementation of LED programs.		
13.10 <i>Other grants</i>		
Balance unspent at beginning of year	-	
Current year receipts	750 000	
Conditions met – transferred to revenue	(740 268)	
Unspent amount transferred to liabilities	9 732	
(See note 10)		
The grant was not spent.		

LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
13. GOVERNMENT SUBSIDIES & GRANTS (cont)		
13.11 Changes in levels of government grants		
Based on the allocations set out in the Division of Revenue Act, (Act 12 of 2009), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
14. INVESTMENT REVENUE - EXTERNAL INVESTMENTS		
External investments	<u>3 379 021</u>	<u>1 921 461</u>
15. OTHER INCOME		
Flat charge	287 473	2 390 246
Cattle Pound	203 765	272 412
Database and tender revenue	248 196	108 550
New Connections	32 872	6 270
Deed of sale	1 200	17 162
Sundry	958 021	1 357 141
Total Other Income	<u>1 731 527</u>	<u>4 151 781</u>
16. EMPLOYEE RELATED COSTS		
Employee related cost - Salaries and wages	13 323 136	10 825 882
Employee related cost - Social contributions	3 663 184	3 225 905
Travel, motor car, accomodation & other allowances	884 561	730 118
Overtime benefits	174 546	149 802
Leave provision	713 742	839 707
	<u>18 759 169</u>	<u>15 771 413</u>
There were no advances paid to employees.		
Municipal Manager		
Annual remuneration	542 230	492 466
Council Contributions	98 611	94 089
	<u>640 841</u>	<u>586 555</u>
Chief Financial Officer		
Annual remuneration	292 815	278 732
Allowances	88 097	87 051
Council Contributions	78 504	82 305
	<u>459 416</u>	<u>448 088</u>
Remuneration of Individual Managers 30 June 2009	Technical Manager	Strategic Manager
Annual remuneration	270 600	270 600
Allowances	97 074	61 039
Council Contributions	70 529	97 073
	<u>438 203</u>	<u>428 712</u>
		Community Manager
		270 600
		93 149
		85 814
		<u>449 563</u>

LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
16. EMPLOYEE RELATED COSTS (CONT)		
Remuneration of Individual Managers		
30 June 2008		
Annual remuneration	250 128	271 460
Allowances	94 948	94 948
Council Contributions	76 397	77 367
	<u>421 473</u>	<u>421 473</u>
	<u>421 473</u>	<u>422 056</u>

During the year no performance bonuses were paid out in terms of Section 57 of the Municipal Systems Act.

17. REMUNERATION OF COUNCILLORS		
Mayor	632 055	436 348
Speaker	484 609	338 737
Chief Whip	444 621	327 834
Executive Committee	2 220 743	1 692 712
Councillors	6 306 632	4 792 338
	<u>10 088 660</u>	<u>7 587 969</u>

The Mayor, Speaker and the Chief Whip are full time. Each is provided with an office and the Mayor has secretarial support. The Mayor has use of a Council owned vehicle and driver for official duties.

18. GENERAL EXPENSES		
Included in general expenses is the following:-		
Advertising	284 536	184 623
Audit Fees	1 576 970	1 227 423
Consultancy Fee	740 609	687 138
FMG expenses	903 770	660 028
Forensic services	372 678	1 337 907
Free basic services	4 169 048	2 645 483
Fuel	1 522 272	1 034 039
Insurance	498 921	654 896
Legal fees	1 190 280	847 066
Rental Office Machines	768 149	885 232
Telephone and cellphones	1 448 020	814 373
LED strategy and projects	662 250	3 115 007
PMU expenses	595 392	524 531
Other expenditure	20 321 205	9 758 240
	<u>35 054 101</u>	<u>24 375 987</u>

LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
19. CASH GENERATED FROM/(UTILISED IN) OPERATIONS		
Net surplus for the year	58 592 686	24 473 224
Adjustment for:		-
Prior adjustments	8 406 627	150 567
Depreciation charges	4 151 860	3 129 000
Contributions to bad debt		-
Interest received	(3 379 021)	(1 921 461)
Interest paid	-	-
Operating surplus before working capital changes	67 772 153	25 831 330
(Increase)/decrease in inventories	(1 013 475)	0
(Increase)/decrease in other receivables	(2 556 299)	(478 540)
(Increase)/decrease in consumer debtors	(48 866 874)	(1 404 373)
Increase/(decrease) in conditional grants	16 023 043	(4 284 016)
Increase/(decrease) in trade payables	10 489 918	(1 269 828)
Increase/(decrease) in consumer deposits	1 549 400	60 800
(Increase)/decrease in investment deposits		
Net cash from operating activities	43 397 865	18 455 373
20. ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003		
20.1 Contributions to organised local government		
Opening balance	-	-
Council subscriptions	354 463	64 253
Amount paid - current	(354 463)	(64 253)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-
20.2 Audit Fees		
Opening balance	-	-
Current year audit fee	1 576 970	1 227 423
Amount paid - current year	(1 576 970)	(1 227 423)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-
20.3 VAT		
VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS. VAT input receivables and VAT output receivable are shown in notes 4 and 8 respectively.		
20.4 Pay as You Earn (PAYE) & UIF		
Opening balance	-	-
Current year payroll deductions	4 509 941	3 147 282
Amount paid - current year	(4 509 941)	(3 147 282)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-
20.5 Pension and Medical Aid Deductions		
Opening balance	-	-
Current year payroll deductions and Council Contributions	6 746 497	5 629 071
Amount paid - current year	(6 746 497)	(5 629 071)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-

LEPELLE-NKUMPI LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
21. CONTINGENT LIABILITIES		
The municipality has a contingent liability for the year under review on legal cases of land and valuation roll.		

LEPELLE-NKUMPI LOCAL MUNICIPALITY

APPENDIX A ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2009

	HISTORICAL COST					ACCUMULATED DEPRECIATION				Carrying Value
	Opening Balance	Additions/ Transfers	Under Construction	Fair Value	Closing Balance	Opening Balance	Additions/ Transfers	Fair Value	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
INFRASTRUCTURE	32 161 430	3 568 932	14 602 443	-	50 332 805	1 076 582	1 076 655	-	2 153 237	48 179 568
Roads, pavements, bridges & stormwater	19 765 295	2 830 624	10 701 462	-	33 297 381	279 695	419 563	-	699 258	32 598 123
Water reservoirs & reticulation	5 717	-	-	-	5 717	5 717	-	-	5 717	-
Electricity reticulation	356 001	738 308	3 900 981	-	4 995 290	28 017	20 935	-	48 952	4 946 338
Sewerage purification & reticulation	11 875 208	-	-	-	11 875 208	725 004	593 760	-	1 318 764	10 556 444
Security measures	159 209	-	-	-	159 209	38 149	42 397	-	80 546	78 663
COMMUNITY ASSETS	19 757 650	272 970	622 758	-	20 030 620	1 029 380	547 088	-	1 576 468	18 454 152
Traffic station	6 316 901	272 970	-	-	6 589 871	240 164	1 521	-	241 685	6 348 186
Community halls	6 444 599	-	-	-	6 444 599	385 664	345 944	-	731 608	5 712 991
Libraries	5 988 690	-	-	-	5 988 690	399 246	199 623	-	598 869	5 389 821
Recreational facilities	1 007 460	-	-	-	1 007 460	4 306	-	-	4 306	1 003 154
Taxi Ranks / Bus Shelters	-	-	622 758	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-
Other (fire services & cemeteries)	-	-	-	-	-	-	-	-	-	-
OTHER ASSETS	13 098 661	2 398 187	-	-	15 496 848	3 895 794	2 528 117	-	6 423 911	9 072 937
Motor vehicles	5 023 878	-	-	-	5 023 878	796 602	895 681	-	1 692 283	3 331 595
Plant & equipment	4 576 299	777 270	-	-	5 353 569	1 200 939	962 622	-	2 163 561	3 190 008
Office equipment	2 026 497	130 984	-	-	2 157 481	1 270 465	487 159	-	1 757 624	399 857
Furniture & Fitting	1 396 121	656 217	-	-	2 052 338	596 679	159 349	-	756 028	1 296 310
Bins and containers	75 866	214 360	-	-	290 226	31 109	23 306	-	54 415	235 811
Computer Equipment	-	619 356	-	-	619 356	-	-	-	-	619 356
SPECIALISED VEHICLES	-	848 800	-	-	848 800	-	-	-	-	848 800
Refuse	-	848 800	-	-	848 800	-	-	-	-	848 800
Fire	-	-	-	-	-	-	-	-	-	-
TOTAL	65 017 741	7 088 889	15 225 201	-	87 331 831	6 001 756	4 151 860	-	10 153 616	77 178 215

LEPELLE-NKUMPI LOCAL MUNICIPALITY

APPENDIX B SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2009

	HISTORICAL COST					ACCUMULATED DEPRECIATION				Carrying Value
	Opening Balance	Additions/ Transfers	Under Construction	Fair Value	Closing Balance	Opening Balance	Additions/ Transfers	Disposals	Closing Balance	
	R	R		R	R	R	R	R	R	R
EXECUTIVE COUNCIL	194 657	-	-	-	194 657	128 731	81 634	-	210 365	(15 708)
Municipali Manager	194 657	-	-	-	194 657	128 731	81 634		210 365	(15 708)
FINANCE & ADMINISTRATION	6 884 517	1 776 986	-	-	8 661 503	2 774 019	1 085 294	-	3 859 313	4 802 190
Finance	374 787	158 555	-		533 342	195 739	14 609		210 348	322 994
Corporate	6 509 730	1 618 431			8 128 161	2 578 280	1 070 685		3 648 965	4 479 196
PLANNING & DEVELOPMENT	197 418	-	-	-	197 418	23 099	9 281	-	32 380	165 038
Planning & Local Econ Dev	197 418				197 418	23 099	9 281		32 380	165 038
ROAD TRANSPORT	33 232 031	3 666 004	14 602 443	-	51 500 478	1 170 945	1 873 984	-	3 044 929	48 455 549
Technical Services	33 232 031	3 666 004	14 602 443		51 500 478	1 170 945	1 873 984		3 044 929	48 455 549
COMMUNITY SERVICES	24 509 118	1 645 898	622 759	-	26 777 775	1 904 962	1 101 667	-	3 006 629	23 771 146
Community	24 509 118	1 645 898	622 759		26 777 775	1 904 962	1 101 667		3 006 629	23 771 146
					87 331 831					
TOTAL	65 017 741	7 088 888	15 225 202	-	87 331 831	6 001 756	4 151 860	-	10 153 616	77 178 215

LEPELLE-NKUMPI LOCAL MUNICIPALITY

APPENDIX C DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

2008 Actual Income	2008 Actual Expenditure	2008 Actual Surplus/ (Deficit)		2009 Actual Income	2009 Actual Expenditure	2009 Actual Surplus/ (Deficit)
R	R	R		R	R	R
-	17 427 724	(17 427 724)	Executive & Council	14 156 934	3 910 600	10 246 334
-	17 427 724	(17 427 724)	Municipal Manager	14 156 934	3 910 600	10 246 334
93 938 951	30 630 500	63 308 451	Finance & Admin	35 501 854	38 446 337	(2 944 483)
-	21 737 969	(21 737 969)	Corporate Services	10 010 538	24 901 986	(14 891 448)
93 938 951	8 892 531	85 046 420	Finance	25 491 316	13 544 351	11 946 965
-	5 844 041	(5 844 041)	Planning & Development	8 278 560	4 151 527	4 127 033
-	5 844 041	(5 844 041)	Strategic Planning & Local Economic Dev	8 278 560	4 151 527	4 127 033
-	7 303 157	(7 303 157)	Community Services	17 087 560	8 494 049	8 593 511
-	7 303 157	(7 303 157)	Community	17 087 560	8 494 049	8 593 511
-	8 260 304	(8 260 304)	Roads Transport	54 613 256	16 042 965	38 570 291
-	8 260 304	(8 260 304)	Technical services	54 613 256	16 042 965	38 570 291
93 938 951	69 465 726	24 473 225	Total	129 638 164	71 045 478	58 592 686

LEPELLE-NKUMPI LOCAL MUNICIPALITY

APPENDIX D (1) ACTUAL OPERATING VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2009

	2009 Actual R	2009 Budget R	2009 Variance R	2009 Variance %	Explanations of significant variances greater than 10% versus budget
REVENUE					
Property rates	10 381 081	7 000 000	3 381 081	48.30%	
Service charges	33 008 308	12 405 000	20 603 308	166.09%	
Rental of facilities and equipment	92 284	81 000	11 284	13.93%	
Interest earned – external investments	3 379 021	3 800 000	(420 979)	-11.08%	
Interest earned – outstanding debtors	1 659 450	187 200	1 472 250	786.46%	
Fines	54 013		54 013		
Revenue for agency services	4 776 489	4 000 000	776 489	19.41%	
Government grants & subsidies – operating	61 868 008	65 246 710	(3 378 702)	-5.18%	
Government grants & subsidies – capital	12 687 983	60 466 549	(47 778 566)	-79.02%	
Other revenue	1 731 527	1 536 385	195 142	12.70%	
Total Revenue	129 638 164	154 722 844	(25 084 680)	-16.21%	
EXPENDITURE					
Employee related costs	18 759 169	22 573 325	(3 814 156)	-16.90%	
Remuneration of councillors	10 088 660	10 500 000	(411 340)	-3.92%	
Bad debts	-	1 800 000	(1 800 000)	0.00%	
Depreciation	4 151 860	-	4 151 860		
Repairs & maintenance	1 948 830	3 438 650	(1 489 820)	-43.33%	
Contracted services	1 042 857	1 600 000	(557 143)		
General expenses	35 054 101	33 355 959	1 698 142	5.09%	
Total Expenditure	71 045 478	73 267 934	(2 222 456)	-3.03%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	58 592 686	81 454 910	(22 862 224)		

LEPELLE-NKUMPI LOCAL MUNICIPALITY

**APPENDIX D(2)
ACTUAL CAPITAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)
FOR THE YEAR ENDED 30 JUNE 2009**

	2009 Actual R	2009 Under Construction R	2009 Total Additions R	2009 Budget R	2009 Variance R	2009 Variance %	Explanations of significant variances greater than 5% versus budget
EXECUTIVE & COUNCIL							
Municipal Manager	-		-	-	-	-	
FINANCE & ADMINISTRATION	1 740 696		1 740 696	380 000	1 360 696		
Finance Services	158 555	-	158 555	380 000	(221 445)	(58)	
Corporate Services	1 582 141	-	1 582 141	3 250 000	(1 667 859)	(51)	
PLANNING & DEVELOPMENT							
Strategic Planning & LED	-	-	-	11 625 000	-	-	
ROAD TRANSPORT	3 666 004	13 361 914	17 027 919	51 583 862	(34 555 943)	(67)	Conditions of same of the projects were changed.
Roads	2 830 624	9 834 293	12 664 918	36 629 283	(23 964 365)	(65)	
Electricity	738 308	3 527 621	4 265 929	10 380 000	(6 114 071)	(59)	Electricity projects were delayed on design stage
Other	97 072		97 072	4 574 579	(4 477 507)	(98)	
COMMUNITY SERVICES	1 645 898	543 398	2 189 296	12 381 918	(10 192 622)	(82)	Transfer of funds from the District was in the last
Community	1 645 898	543 398	2 189 296	12 381 918	(10 192 622)	(82)	quarter of the financial year.
TOTAL	7 052 599	13 905 312	20 957 911	75 970 780	(55 012 869)	(72)	

LEPELLE-NKUMPI LOCAL MUNICIPALITY